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Property and Related Maximum Efficiency Payment	$0.40

1002.3 Total Allowed Per Diem Billing Rate For Facilities For Which A Cost Report Cannot Be Used To Set A Billing Rate

If the Division determines that a cost report cannot be used to set a billing rate the per diem rate will be established, as follows:

a) Freestanding facilities classified as Level I Nursing Facilities by the Division after June 30, 1992, will be reimbursed the lower of: projected costs; the weighted average of all current freestanding Level I Nursing Facilities per diem rates in the State; or 90% of the four Non-Property and Related Standard Per Diems plus the appropriate growth allowance and Property and Related Net Per Diem. The facility will maintain the assigned rate until it has established a cost report basis which can be used to establish a per diem rate. When changes in ownership occur, new owners will receive the prior owner's per diem until a cost report basis can be used to establish a new per diem rate. (See Appendix D2(h).)

b) Newly enrolled hospital-based facilities, facilities regrouped to the hospital-based classification, or any facility with fifty or fewer beds will be reimbursed the lower of: projected costs; or 90% of the appropriate cost center ceilings, plus a growth allowance and the appropriate Property and Related Net Per Diem until a cost report is submitted which can be used to establish a rate. When changes in ownership occur, new owners will receive the prior

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owner's per diem until a cost report basis can be used to establish a new per diem rate. (See Appendix D2(h).)

c) In all other instances (except as noted below for newly constructed facilities) where the Division determines that a cost report cannot be used to set a reimbursement rate, the Total Allowed Per Diem Billing Rate will be resolved as described in the provisions discussed below for unauditable cost reports.

The Total Allowed Per Diem Billing Rate for homes with more than 50 beds determined by the Division to be newly constructed facilities is equal to 95% of the four Non-Property and Related Standard Per Diem amounts plus the appropriate growth allowance and Property and Related Net Per Diem.

The Property and Related Net Per Diem referred to in subsections (a) through (c) above is equal to either the Dodge Index Rate as determined under Section 1002.5(a) through (g), or the lesser of projected costs or the maximum allowable costs as determined by Section 1002.5(a) divided by that number of patient days which represents a 95% rate of occupancy.

If the Division determines that a cost report which was to be used to set a reimbursement rate is unauditable (i.e., the Division's auditors cannot render an opinion using commonly accepted auditing practices on the filed cost report, either on the desk audit or on-site audit), or unreliable (See Appendix D2(h).), the Division may reimburse the facility the lower of the following:

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- The last Total Allowed Per Diem Billing Rate issued prior to the reimbursement period to be covered by the unauditable cost report;

- The Total Allowed Per Diem Billing Rate calculated from the unauditable cost report; or

- The Total Allowed Per Diem Billing Rate calculated according to 90% of the four Non-Property and Related Standard Per Diem amounts plus the appropriate growth allowance and Property and Related Net Per Diem.

Once a cost report becomes auditable and appropriate, the Total Allowed Per Diem Billing Rate will then be calculated using the audited cost report as a basis. The resulting reimbursement rate will then be applied to the appropriate period.

Effective April 1, 1982, the Property and Related cost center reimbursement for those facilities whose cost reimbursement is limited to the Standard (90th percentile) Per Diem in this cost center will be based upon the Standard Per Diem calculated from the cost reports for the year ending June 30, 1981.

1002.4 This section is reserved for future use.

1002.5 Property and Related Reimbursement Limitations

The Division has established additional criteria to determine the reasonableness of property and related costs.

Property Transactions after June 14, 1983

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a. For any facility having a property transaction, including a renewal of a lease, with an effective date after June 14, 1983, excluding additions, expansions and renovations, the steps described in paragraphs (b) through (f) of this subsection comprise the Dodge Index method of property and related reimbursement which will be performed to set the property and related net per diem for a facility. Facilities reimbursed for actual property and related costs will be reimbursed at the Dodge Index rate if actual property and related costs per diem become less than the Dodge Index rate or if there is a property transaction according to this section. Facilities reimbursed at the Dodge Index rate will remain at the Dodge Index rate for all subsequent periods. This will be referred to as the property rate component for the remainder of this subsection. The property rate component is then used in the computation of a facility's Allowed Per Diem as defined in Sections 1002.2 and 1002.3.

The Division does not recognize the termination of a lease prior to its stated expiration date as a property transaction. It will be presumed that the termination of a lease prior to its stated expiration date was done to increase Medicaid reimbursement; provided, however, that the presumption is rebuttable if the provider can demonstrate by clear and convincing evidence that the lease was terminated for some other legitimate purpose. In the event of the termination of a lease prior to its stated expiration date, the facility's Property and Related reimbursement rate will then be based upon historical costs or the Dodge Index Rate, whichever applies.

b. The property rate component is comprised of four sub-components:

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(i) Building and Building Equipment

(ii) Major and Minor Moveable Equipment

(iii) Motor Vehicle Equipment

(iv) Land

The method of calculating the rate for each of these sub-components is described in the following paragraphs.

c. The Building and Building Equipment sub-component is calculated by dividing the reasonable construction acquisition cost by total patient days.

Reasonable construction acquisition cost is determined as follows:

i) For all existing facilities, multiply the regional Dodge Construction Index from the April - September, 1982 issue for the calendar year preceding the prospective rate year by the average construction multiplier for Atlanta. For facilities less than 30,000 square feet the cost range of 20,000 - 30,000 square feet will be used and for facilities 30,000 square feet or greater the cost range will be based on the 30,000 - 40,000 square foot indicator. All facilities having their first property transaction after June 14, 1983 (i.e., newly constructed facilities) will use the 30,000 - 40,000 square foot range.

ii) Multiply the product from (i) by 108%.

iii) Multiply the product from (ii) by the gross square footage of the facility with a maximum of 300 square feet per bed allowed. (New facilities will use

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300 square feet per bed regardless of actual square footage. Existing facilities will use actual footage up to the maximum allowable. New facilities for which a subsequent property transaction occurs will use actual square footage up to the maximum

iv) Multiply the result of (iii) by the depreciation factor. The depreciation factor is calculated by subtracting the age of the facility in years from 40 and dividing the result by 40. Where the facility is more than 20 years old, a value of 20 is used such that the facility is never more than 50% depreciated based on a 40 year life.

v) Multiply the result of (iv) by an amortization factor which is determined according to the formula below:

$$\frac{1}{1/r \times [1-1/(1+r)n\ ]}$$

r represents the return rate and n is the remaining years of life of the facility based on a 40 year life.

Total Patient Days equals 90% of the maximum number of available patient days for a given facility per year.

For facilities having their property transaction after June 14, 1983 (i.e., newly constructed facilities), the building and building equipment component will be determined in accordance with the effective date of that property transaction as defined in Section 1002.1(h). The regional Dodge Construction Index from April-September of the calendar year preceding the property transaction will be used to

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determine a building rate component. The return rate for Dodge Index facilities is 11%.

Return Rate - This percentage will be reviewed and set by the Division.

d. The Division will calculate a Moveable Equipment (major and minor) cost per bed at current replacement cost. For 1983 the value has been set at $1,600.00 per bed.

Effective April 1, 1990, this Moveable Equipment value was increased to $2176.00 per bed and effective July 1, 1993, will be increased to $2430.00 per bed. A composite life of twelve years will be used to compute the amortization factor. The major and minor moveable equipment sub-component is calculated by multiplying the cost per bed by the amortization factor and dividing the product by total patient days. The current replacement cost will be reviewed by the Division of Medical Assistance and may be indexed utilizing the medical equipment price index published by the Centers for Medicare and Medicaid Services or another appropriate proxy for moveable equipment cost.

e. The Division will calculate a reasonable allowance for Motor Vehicle Equipment. For 1983, the value has been set at $8,000.00 per 100 beds or fraction thereof. A life of four years will be used to compute the amortization factor. The motor vehicle equipment sub-component as calculated by multiplying the reasonable allowance by the amortization factor and dividing the product by total patient days.

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The reasonable allowance will be reviewed by the Division and may be indexed utilizing the transportation component of the Consumer Price Index or another appropriate proxy for motor vehicle equipment cost.

f. In calculating the Land sub-component, acreage will be screened for cost reasonableness and limited to the lower of actual acres or the maximum established for the facility. The maximum varies according to the number of beds and facility location (rural or urban).

For a facility in an urban area (i.e., a Metropolitan Statistical Area-MSA-county), land is limited to three acres for a 100 bed home plus one acre for each additional 100 beds or fraction thereof. The maximum cost allowed per acre is $70,800. For any provider which applies for an adjustment to its Property and Related Net Per Diem on or after April 1, 1987, due in any part to costs associated with the acquisition of land (including, but not limited to purchases and leases), such land acquisition costs shall be allowable only to the extent that they do not exceed $70,800 per acre. In a rural area (non-MSA), land is limited to five acres for a 100 bed home plus one acre for each additional 100 beds or fraction thereof. The maximum cost allowed per acre is $42,480. For any provider which applies for an adjustment to its Property Related Net Per Diem on or after April 1, 1987, due in any part to costs associated with the acquisition of land (including, but not limited to, purchases and leases), such land acquisition costs shall be allowable only to the extent that they do not exceed $42,480 per acre.

Reimbursement for additional land for facilities in urban and rural locations will be allowed to meet

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requirements such as local codes for sewage disposal, parking, and density.

Original land cost should be documented by original accounting records, county records, or an acceptable reasonable basis such as an allocation procedure. If the original land cost cannot be properly documented, no allowed rate will be calculated.

(i) To calculate the rate for facilities with land areas exceeding the maximum allowable:

(a) Divide the allowable original land acquisition cost by the total acreage.

(b) Multiply the average acquisition cost per acre by the maximum allowable land areas as determined by the rules outlined above.

(c) Multiply the result in (i)(b) by the return rate.

(d) Divide the result from (i)(c) by the number of patient days.

(ii) To calculate the rate for facilities with land areas at or below the maximum allowable:

(a) Multiply the allowable land and acquisition cost by the return rate.

(b) Divide the result from 2(ii) by the number of patient days.

The property rate component will be set at the sum of the building and building equipment, moveable equipment, motor

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vehicle equipment and land rate sub-components.

g. For any facility having an Initial Transaction after July 13, 1978, and which has a subsequent transaction on or after June 15, 1983, by the same party, a related party, or a different operator within ten years after the initial transaction, reimbursement is defined in subparagraphs (i) and (ii) below.

(i) During the ten years following an initial transaction prior to June 15, 1983, reimbursement will be the lesser of:

(a) reported costs of the subsequent transaction (the most recent lease, sale or change of ownership occurring within 10 years of the initial transaction),

(b) the Standard Per Diem, if the initial transaction occurred after May 6, 1981, but before June 15, 1983, or

(c) costs as determined by paragraphs (b) through (f) as the date of the lease, sale, or change of ownership which gave rise to the application of this paragraph.

(ii) During the ten years following an initial transaction after June 14, 1983, reimbursement will be the lesser of:

a) costs as determined by paragraphs (b) through (f) at the date of the initial transaction, or